



# STATE OF IOWA

CHESTER J. CULVER, GOVERNOR  
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DEPARTMENT OF HUMAN SERVICES  
CHARLES J. KROGMEIER, DIRECTOR

## INFORMATIONAL LETTER NO. 905

**TO:** Iowa Medicaid-Certified Hospice Providers  
**FROM:** Iowa Department of Human Services, Iowa Medicaid Enterprise (IME)  
**DATE:** May 13, 2010  
**SUBJECT:** Hospice Impact Regarding Legislation Affecting Nursing Facility Rates

The purpose of this Informational Letter is to offer hospice providers information regarding changes that will affect nursing facility Medicaid payment rates for Revenue Code 658 (room and board for NF hospice recipient) billing. Due to the recent approval from the federal Centers for Medicare and Medicaid Services (CMS) of the Nursing Facility Quality Assurance Assessment Fee and changes during the 2010 legislative session, all nursing facilities will have rates adjusted for the periods beginning December 1, 2009 and January 1, 2010. Please see below for further details regarding how the IME will handle the changes in nursing facility rates as they relate to hospice providers.

### **Senate File (SF) 476 - Nursing Facility Quality Assurance Assessment Program**

This legislation, authorized during the 2009 legislative session, directed the Department of Human Services (DHS) to implement a nursing facility quality assurance assessment program, also known as a nursing facility provider tax. In March 2010, DHS received approval from CMS to implement the quality assurance assessment program effective April 1, 2010.

#### Affect on Hospice Providers

- Effective April 1, 2010 nursing facility rates will be loaded with a base rate (without the quality assurance assessment). This base-rate will be used to calculate reimbursement for Revenue Code 658. Reimbursement will continue to be calculated at 95% of the nursing facility base rate.

### **Senate File 2366 – Modification to Executive Order 19 on Nursing Facility Reimbursement**

This legislation provides restoration to a portion of the reductions that were made pursuant to the Governor's Executive Order 19:

- Suspends the NF pay-for-performance (P4P) program payments. No payments will be made for State Fiscal Year (SFY) 2010, which were scheduled to be paid out in August 2010. Reinstates the minimum occupancy percentage back to 85% effective December 1, 2009.
- Modifies the percentage of decrease of the inflation factor used in calculating reimbursement rates. The percentage of decrease changes from 5% to 3% effective December 1, 2009.
- Modifies the payment for reserve bed hold days. Executive Order 19 changed the payment level for hospital leave days only. SF 2366 eliminates all payments for bed hold days for both hospital leave and therapeutic leave. This change is retroactively effective December 1, 2009. The IME will

identify bed hold payments that have been paid for dates of service beginning December 1, 2009 and price these at \$0 during the mass adjustment process for the other provisions of SF 2366.

#### Affect on Hospice Providers

- Once approval from CMS is received, the IME will process a mass adjustment for all claims with Revenue Code 658 on them.

#### **House File 2526 –Nursing Facility Reimbursement effective July 1, 2010**

This legislation makes additional changes to the nursing facility reimbursement methodology by further restoring the reductions that were made pursuant to Executive Order 19. It also continues some of the provisions authorized in SF 2366. Additional information regarding timing of the July 1, 2010, rate letters will be provided to nursing facilities at a later date. The following provides a summary of the reimbursement changes authorized in HF 2526:

- The NF pay-for-performance payments for SFY 2011 (July 1, 2010 through June 30, 2011) will continue to be suspended as funding was not appropriated. The minimum occupancy percentage will continue at 85%.
- Payments for reserve of bed hold days for **both** hospital leave and therapeutic leave will continue to be eliminated.
- The 5% decrease in the inflation factor used in calculating reimbursement rates in accordance with Executive Order 19 will be completely restored effective July 1, 2010.

#### **IME Claim Processing Changes related to Revenue Code 658**

The IME is in the process of changing how it handles changes in nursing facility rates and the affect it has on hospice billing. The changes include:

- 1) Removing the programming that pays Revenue Code 658 at the lower of billed charges **or** 95% of the nursing facility per diem. Programming will allow Revenue Code 658 to pay at 95% of the nursing facility per diem **only**. This should alleviate the need to submit manual adjustment claims.
- 2) Institute a process of initiating a mass adjustment for all hospice claims related to any given nursing facility if a nursing facility's per diem changes, regardless of the dates of service affected. This should also alleviate the need to submit manual adjustment claims.
- 3) Publish changes to the cumulative rate listing whenever any nursing facility rate changes. This should provide more up-to-date rate information for comparing what is billed by the nursing facility to the hospice providing services in that nursing facility.

**Please see Informational Letter No. 898 that was issued to all Iowa Medicaid-Certified Nursing Facilities on April 20, 2010 for further information describing the changes to nursing facility rates.**

The IME appreciates your partnership as we work together to serve the needs of Iowa Medicaid members. If you have any questions please contact the IME Provider Cost Audit and Rate Setting Unit at (515) 256-4610 (locally) or (866) 863- 8610 or via email at [costaudit@dhs.state.ia.us](mailto:costaudit@dhs.state.ia.us).